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consolidated
building corporation

consolidated building corporation limited 1970 annual report

Board of Directors

GEORGE H. BEESTON
Vice President and Treasurer
Empire Films Limited
Vice President
Consolidated Building Corporation Limited

JOHN H. BROWN
President
Gairdner & Company Limited

JOHN D. FIENBERG
President and Chairman
Anlouis Investments Limited

W. BERNARD HERMAN, Q.C.
President
City Parking Canada Limited

W. VERNON HOWE, B.Comm., C.A.
Vice President, Finance
Consolidated Building Corporation Limited

WALTER A. KEYSER
Director
Gairdner & Company Limited

MELVILLE O'DONOHUE, Q.C.
Partner
Gardiner, Roberts, Anderson, Conlin, Fitzpatrick, O'Donohue & White

LAWRENCE SHANKMAN
President and Chairman
Consolidated Building Corporation Limited

LOUIS STULBERG
Vice President, Development and Secretary-Treasurer
Consolidated Building Corporation Limited

Officers

LAWRENCE SHANKMAN
President and Chairman of the Board

LOUIS STULBERG
Vice President, Development and Secretary-Treasurer

GEORGE H. BEESTON
Vice President

FRANCIS D. CAVILL
Vice President, Investment Properties

W. VERNON HOWE, B.Comm., C.A.
Vice President, Finance

JAMES McFARLANE
Vice President, Operations

SOMER RUMM
Vice President, Land

Head Office

99 Avenue Road
Toronto 180, Ontario

Auditors

Clarkson, Gordon & Co.

Corporate Counsel

Gardiner, Roberts, Anderson, Conlin, Fitzpatrick, O'Donohue & White

Transfer Agent and Registrar

Guaranty Trust Company of Canada

Listed on

Toronto Stock Exchange
Montreal Stock Exchange
Vancouver Stock Exchange

Report to the Shareholders:

LAWRENCE SHANKMAN

Despite a decrease in profits, the year under review ended on a promising note regarding the growth potential of your Company. As at February 28, 1970, the volume of work on hand was considerably in excess of the construction programs for the comparable periods of the previous five years.

Your Company had expected to begin construction last summer of housing developments in Oakville, Bolton and Brampton. However, due to delays in obtaining final clearances for these projects from local and governmental authorities, work did not start until late in the year. As a result, sales that would have provided income for February 28, 1970, will now add to the profit for the year ending February 28, 1971.

We are reporting a net loss of $38,678 for the year ended February 28, 1970 as compared to a profit of $239,947 for the previous year.

Your Company received an unfavourable decision on its court case in the Province of Quebec. However, on the advice of the Company's solicitors, we have instituted an appeal. In the meantime, we have written off approximately $110,000 (net of deferred income tax) against deficit as a prior period adjustment.

During the year a further $200,000 of 6¼% sinking fund debentures were purchased for cancellation.

Although the volume of construction started last year was comparatively low, our time was well spent in strengthening our internal organization by adding capable junior staff and in planning for new development projects, some of which were started in the fall of last year, some in early spring of this year, and others to be commenced in the summer and fall of this current year.

Our redevelopment project in the Town of Oakville received final clearance in the fall of last year and we were able to commence construction of 125 homes. A further 200, for which mortgage financing has already been arranged, are now being built.

Phase One of 125 units has been sold out and we have started selling in Phase Two.

In Bolton, a community 14 miles from Toronto, we have started 50 homes and have so far sold more than 50 percent. Beginning immediately, we shall be building another 40 on which we have also arranged the mortgage financing.

We have land ready in Brampton for the construction of 146 housing units and plans are presently being finalized for the use of these lots.

Condominium housing will play an important role in your Company's future program. We have already begun construction of 217 condominium townhouse units under the Government of Ontario H.O.M.E. Plan. These units will be offered for sale at modest prices well below the general market, and there is every indication of a successful selling program.

We will shortly commence construction on a luxury highrise condominium

THE BRIARS — luxury condominium apartments, scheduled for construction this fall.

BOLTON COUNTRY ESTATES — where home owners can enjoy the pleasures of the country without giving up the city.

Attractive homes in Bolton Country Estates are priced several thousand dollars below comparable houses in Toronto.

apartment building in Toronto at the corner of Bathurst Street and Briar Hill Avenue. The value of this building will be approximately $2 million and sales will be oriented to that segment of the market desiring spacious and gracious living without the burdens of home maintenance and the resultant costs.

After careful consideration, we have decided to initiate a program to convert approximately 500 town house rental units, owned by your Company, to condominium homes for sale to individual buyers. These units are located in convenient and desirable locations and should be readily saleable. We expect that substantial cash will be generated by this conversion.

Walmer Place, a retail commercial apartment tower in downtown Toronto, is now well into construction. We have now reached the roof stage of this 19-storey building and expect that leasing should be completed in the early part of 1971. Eighty per cent of the ground floor retail space is now leased to excellent tenants. Model apartment suites should be ready for inspection in the early fall and we will initiate the residential leasing program at that time.

The Company owns and operates the Regency Towers Hotel on Avenue Road in Toronto. I am pleased to report that there has been an appreciable increase in the operating profits of the Hotel during the past year.

In addition to the projects already in progress, the Company's planning department has been actively engaged in preparing additional land for development in 1971. We have received draft approval for a joint venture residential development of 700 units in the Town of Whitby, which we expect to have ready for construction in the spring of 1971. Your Company also has in Whitby, nearing the approval stage, land for a shopping centre complex of 25 acres plus a medium density townhouse project of 425 units.

In Scarborough, we have received preliminary approvals for a joint venture development plan for 1,040 suites. We expect final approvals will be received in time to release these lands for development in 1971.

Your management has been attempting to arrange additional financing for the Company to allow it to carry out an expanded development program. In this regard, we are negotiating with interested parties and will keep you advised when we have anything specific to report.

At the beginning of this report, I stated that the growth potential of your Company remains promising. The recently announced decrease in mortgage interest rates, coupled with the growing demand for new construction, presents a most encouraging outlook for your Company. I would sincerely hope that you, the shareholders of our Company, share this optimism with me.

Your Board of Directors joins with me in expressing our grateful thanks to our dedicated staff and in thanking our shareholders and business associates for a pleasant relationship during the past year. We are hopeful that the Company will continue to enjoy your support and confidence in the future.

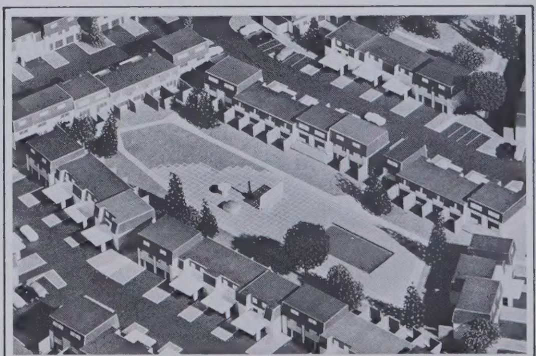
July 10, 1970.

L Shankman

Lawrence Shankman
President and Chairman of the Board

WALMER PLACE — apartment • office • retail complex to be ready for occupancy by year's end.

OAKDALE PARK — in Oakville is today the fastest selling new community in the Greater Metro Toronto market.



Low priced condominium townhouse village, developed by Consolidated Building Corporation under the Ontario Government's plan for Home Ownership Made Easy, will be ready for fall and winter occupancy.

consolidated

building corporation

Financial Statements

consolidated building corporation limited
(and subsidiary companies)

Consolidated Balance Sheet

FEBRUARY 28, 1970
(with comparative figures for 1969)

ASSETS

	1970	1969
Cash	**$ 11,142**	$ 15,179
Mortgages and sundry receivables less allowance for loss	**3,029,970**	5,242,956
Deposits on land	**86,526**	234,045
Houses completed and under construction (including land) at cost less mortgage advances of $675,000 in 1970 ($606,000 in 1969)	**1,982,619**	1,892,646
Real estate held for development and sale – at lower of cost and estimated realizable value	**3,036,058**	2,009,994
Investment properties – at cost		
Buildings	**9,057,392**	9,035,879
Building under construction	**423,195**	—
Equipment	**738,805**	733,507
Leasehold improvements	**424,690**	418,178
Parking lot	**274,344**	274,344
	10,918,426	10,461,908
Less accumulated depreciation and amortization	**1,927,040**	1,702,878
	8,991,386	8,759,030
Land	**1,500,927**	1,465,895
	10,492,313	10,224,925
Prepaid expenses, sundry investments and advances	**504,665**	349,636
Unamortized financing costs	**380,207**	422,848
Excess of cost over book value of investment in subsidiaries at date of acquisition	**99,700**	99,700
	$19,623,200	$20,491,929

On behalf of the Board:
LAWRENCE SHANKMAN, *Director*
VERNON HOWE, *Director*

LIABILITIES

	1970	1969
Bank indebtedness (note 2)	**$ 2,720,600**	$ 2,481,514
Accounts payable and accrued liabilities	**1,600,706**	2,202,042
Tenants' and other deposits	**210,241**	202,086
Mortgages and secured payables	**1,451,450**	1,334,700
Mortgages on investment properties (note 3)	**7,166,583**	7,525,703
6¼ % sinking fund debentures due February 1, 1979 (note 3)	**4,200,000**	4,400,000
Deferred income taxes (note 4)	**231,000**	266,000
Contingent liabilities (note 6)		
Total liabilities	**17,580,580**	18,412,045

SHAREHOLDERS' EQUITY

Capital stock (note 7)				
Authorized	Issued			
988,100	288,100	First preference shares with a par value of $10 each – issuable in series – 6% cumulative redeemable preference shares, Series A	**2,881,000**	2,881,000
6,000,000	3,669,429	Common shares without par value	**2,319,003**	2,317,589
			5,200,003	5,198,589
Deficit			**(3,157,383)**	(3,118,705)
			2,042,620	2,079,884
			$19,623,200	$20,491,929

consolidated building corporation limited
(and subsidiary companies)

Consolidated Statement of Earnings

FOR THE YEAR ENDED FEBRUARY 28, 1970
(with comparative figures for 1969)

	1970	1969
Revenue:		
Sales of real estate	**$ 4,529,630**	$ 7,580,251
Gross income from investment properties	**2,977,404**	2,845,135
Interest and sundry income	**220,922**	239,682
Excess of par value over cost of debentures purchased for cancellation	**59,310**	51,500
	7,787,266	10,716,568
Expenditures:		
Cost of real estate sold	**4,155,044**	6,456,555
Operating expenses of investment properties (excluding interest and depreciation)	**1,958,695**	1,912,842
Selling, general and administrative expenses	**482,033**	481,297
Interest expense (note 8)	**998,370**	1,121,305
Depreciation and amortization of investment properties	**224,162**	217,610
Amortization of financing costs	**42,640**	56,012
	7,860,944	10,245,621
Earnings (loss) for the year before income taxes	**(73,678)**	470,947
Deferred income taxes (note 4)	**(35,000)**	231,000
Earnings (loss) for the year	**$ (38,678)**	$ 239,947

Consolidated Statement of Deficit

FOR THE YEAR ENDED FEBRUARY 28, 1970
(with comparative figures for 1969)

	1970	1969
Deficit, beginning of year as previously reported		$ 3,101,716
Prior period adjustments:		
Deferred income taxes (note 4)		146,000
Write off of claim as a result of unfavourable court decision (net of estimated income tax effect of $111,000) (note 9)		110,936
As restated	**$ 3,118,705**	3,358,652
Earnings (loss) for the year	**(38,678)**	239,947
Deficit, end of year	**$ 3,157,383**	$ 3,118,705

Consolidated Statement of Source and Use of Funds

FOR THE YEAR ENDED FEBRUARY 28, 1970
(with comparative figures for 1969)

	1970	1969
Source of funds:		
Earnings (loss) for the year	$ **(38,678)**	$ 239,947
Add items not requiring a cash outlay	**231,803**	504,622
Cash from operations	**193,125**	744,569
Net book value of investment property sold	—	749,509
Less existing mortgages assumed by purchaser	—	(500,000)
		249,509
Reduction (increase) in mortgages and sundry receivables	**2,212,986**	(719,830)
Decrease in land held for development and sale	—	920,649
Increase (decrease) in mortgages and secured payables	**116,750**	(663,185)
Issue of common shares	**1,414**	—
Net change in other assets and liabilities	**645**	(103,994)
	2,524,920	427,718
Use of funds:		
Increase in housing inventory (including land)	**89,973**	948,159
Increase in land held for development and sale	**1,026,064**	—
Additions to investment properties	**491,550**	154,507
Decrease (increase) in accounts payable	**601,336**	(773,812)
Principal repayment on investment property mortgage	**359,120**	453,358
Repayment of sinking fund debentures	**200,000**	200,000
	2,768,043	982,212
Increase in bank indebtedness net of cash	$ **243,123**	$ 554,494

Notes to Consolidated Financial Statements

FEBRUARY 28, 1970

1. Accounting policies

(a) Consolidation

(i) The accounts of all subsidiary companies have been included in the consolidated financial statements.

(ii) Investments in joint ventures are included at the value of the Company's equity therein in the item "Prepaid expenses, sundry investments and advances" in the accompanying balance sheet.

(b) Depreciation

The Company records depreciation on buildings and parking lot on a 4%, 40-year sinking fund basis. The depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum so that each asset will be depreciated 40 years after its construction or purchase.

Depreciation on equipment is recorded on a 10% straight line basis.

Leasehold improvements are written off in equal annual instalments over the terms of the leases.

(c) Real estate held for development and sale and houses completed and under construction.

These include the cost of land, land improvements, building construction and establishment costs and all carrying costs less mortgage advances received with respect to house construction inventories. Carrying costs include mortgage interest, realty taxes, legal fees and other direct expenses plus, effective with the 1970 fiscal year, a portion of interest on general borrowing considered directly applicable. The change in 1970 in the basis of accounting for interest costs on general borrowing (previously such costs were written off to expense) had the effect of reducing the 1970 net loss by approximately $22,000.

The Company provides for the immediate write-off of any costs which are not recoverable from the profits on future sales. Accordingly the carrying value of these inventories is less than estimated realizable value.

(d) Investment properties

The Company constructs and operates properties of an investment nature, some of which may be sold from time to time, when, in the judgment of the Board of Directors, such sales are in the Company's best interest. These properties are carried at cost including mortgage interest, property taxes, legal fees and certain overhead expenses (including interest) capitalized during the construction and initial leasing periods.

(e) Income measurement

Revenue from the sale of houses is recognized when the house is completed and accepted by the purchaser.

Revenue from the sale of land is recognized when all material requirements of the Company related to the sales agreement have been met.

2. Bank indebtedness

The Company and a subsidiary have issued and deposited with their bankers as collateral security, demand debentures and a mortgage in respect to the bank loans and letters of credit outstanding. These debentures are secured by a first floating charge on the assets of the Company. In addition, accounts receivable and certain mortgage receivables have been assigned to the bankers.

3. Funded debt

Mortgages payable on investment properties include principal repayments due over the next five years as follows:

Year ending February 28, 1971	$495,000
Year ending February 29, 1972	185,000
Year ending February 28, 1973	877,000
Year ending February 28, 1974	171,000
Year ending February 28, 1975	934,000

It has been the policy of the Company to negotiate the renewal of such mortgages as they mature.

The 6¼% sinking fund debentures, Series A are unsecured and were issued by the Company pursuant to a trust indenture

dated January 15, 1964, which provides that the Company is to retire by means of a sinking fund, $400,000 on February 1 in each of the years 1971 to 1975 inclusive, and $700,000 in each of the years 1976 to 1978 inclusive.

The trust indenture also provides that dividends on common shares may only be paid from the total of the consolidated net earnings subsequent to August 31, 1963 plus the net cash proceeds to the Company of the issue, after August 31, 1963, of any of its shares. As a result of this provision, the total of consolidated net earnings subsequent to February 28, 1970 and net cash proceeds from the issue of shares after that date will have to amount to approximately $7,400,000 (exclusive of preference share dividends in arrears) before dividends may be paid on common shares.

The trust indenture provisions do not apply to prevent the payment of dividends on the 6% cumulative redeemable preference shares, Series A.

4. Income taxes

Prior to the 1969 fiscal year, the tax provision charged against earnings was based on income taxes payable in respect of each fiscal year and accordingly tax reductions realized prior to March 1, 1968 as a result of claiming capital cost allowances and other timing differences were not reflected in the accounts as deferred income taxes. Effective with the 1969 fiscal year, the Company changed its policy to providing income taxes on reported earnings, thus recording deferred income taxes in the accounts for 1969 and subsequent years. Deferred income tax reductions of $35,000 and $111,000 applicable to the 1970 loss and the prior period adjustment respectively have been reflected in the accompanying financial statements and the total of $146,000 charged to deficit, thus reducing the amount of deferred income taxes not recorded in the accounts to $178,000.

In addition to timing differences which have resulted in deferred income taxes of approximately $409,000 to February 28, 1970 (of which $231,000 is recorded in the accounts), as of this date the Company is entitled to apply further capital cost allowances and other deductions for tax purposes of approximately $2,000,000 against taxable income of future years.

5. Commitments

The Company has an option to purchase, on or before October, 1970, from Empire Films Limited an assembly of land adjoining Metropolitan Toronto. The exercise of the option would involve a cash outlay of approximately $2,600,000 and the assumption of mortgages of approximately $3,100,000. In the opinion of management, the market value of these lands is in excess of the option price.

The Company, in the ordinary course of business, has options and agreements to purchase various parcels of land in and near Metropolitan Toronto which may be developed and/or resold. Acquisitions in this connection will be financed under a number of alternatives, including joint venture arrangements.

The Company leases certain premises under a long term lease arrangement requiring an approximate annual rental of $242,000, exclusive of real estate taxes, insurance, maintenance and repairs, which are estimated at approximately $226,000. Rental income from these premises is estimated at $443,000 for the year ending February 28, 1971. The lease contains an option to purchase the leased premises.

6. Contingent liabilities

The Company has lodged letters of credit aggregating $83,000 with municipalities as security for the fulfilment of its obligations under certain subdivision agreements.

The Company has initiated foreclosure action on a mortgage which matured in 1967. In the opinion of Counsel, the carrying value of this mortgage as written down in the 1968 fiscal year takes into account both the Company's claim for foreclosure and the defendant's counterclaim.

The Company is party to a number of joint ventures and accordingly is contingently liable for the indebtedness of these joint

ventures of $1,200,000 as at February 28, 1970. Against this contingent liability, the Company has a right to the related assets of the joint ventures.

7. Capital stock

Series A first preference shares:
Under certain conditions attached to the first preference shares, the Company is required to set aside the amount of $150,000 annually with an overall limitation of $300,000 at any one time as a purchase fund for the purchase and cancellation of the preference shares. The amount set aside is to be applied as soon as practicable to the purchase of Series A preference shares in the market, subject to certain price limitations. Subsequent to May, 1963, the Company has not complied with this condition.

As at March 1, 1970, dividends on preference shares were in arrears to the extent of fifteen quarterly payments or $648,225. No dividends may be paid on common shares while preference share dividends are in arrears.

As long as dividends on the preference shares are in arrears to the extent of six or more quarterly payments, the holders of the preference shares shall be entitled to one vote in respect of each preference share held and in addition, voting separately and exclusively as a class, to elect three members of the Board of Directors of the Company.

Common shares:
During the year, 303 common shares were issued for a total consideration of $1,414 upon exercise of share purchase warrants which expired June 30, 1969.

During the year, the Board of Directors granted an option to an officer of the Company to purchase 20,000 common shares at $2.00 per share in varying numbers between 1970 and 1974.

At February 28, 1970, the following options to purchase common shares were outstanding to officers and employees of the Company, exercisable in varying numbers at varying dates up to 1974:

20,000 at $2.00 per share
55,000 at $2.55 per share
35,000 at $3.35 per share
60,000 at $3.40 per share

In addition, at February 28, 1970 an option was outstanding to Empire Films Limited and associates, to purchase 1,000,000 common shares at $2.00 per share, such option to cover all but not less than all of the 1,000,000 shares and to expire August 20, 1970, in consideration for options granted the Company to acquire certain lands near Metropolitan Toronto on or before October 31, 1970. (See note 5.)

At February 28, 1970, 1,170,000 of the authorized and unissued common shares were reserved for possible exercise of the options referred to above.

8. Statutory information

The aggregate direct remuneration paid by the Company and its consolidated subsidiaries in the 1970 fiscal year to directors and senior officers amounted to $178,950. Interest on debt initially incurred for a term of more than one year totalled $894,000 in the year, excluding $90,000 which was capitalized in the accounts.

9. Prior period adjustment

In November, 1969, in a decision of the Supreme Court of Quebec, the Company's claim (initiated in 1964) for recovery of costs incurred with respect to certain building lots in the Province of Quebec was denied. These costs have accordingly been written off as a prior period adjustment in the accompanying financial statements. On the advice of Counsel, the decision has been appealed.

Auditors' Report

Clarkson, Gordon & Co.
Chartered Accountants

Royal Trust Tower
P.O. Box 251 Toronto-Dominion Centre
Toronto 111, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 368-2751 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Consolidated Building Corporation Limited:

We have examined the consolidated balance sheet of Consolidated Building Corporation Limited and subsidiary companies as at February 28, 1970 and the consolidated statements of earnings, deficit, and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at February 28, 1970 and the results of their operations and the source and use of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting for interest costs on general borrowing referred to in note 1 (c) to the financial statements.

Clarkson, Gordon & Co.

Toronto, Canada,
July 10, 1970.

Chartered Accountants

consolidated building corporation limited 1970 annual report

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